
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Thursday, February 21, 2008**

A meeting of the Board of Administration was held on Thursday, February 21, 2008, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:00 a.m. by Board President Rob Feckner.

The Secretary called the roll and the following Board members were present:

Rob Feckner, President
Marjorie Berte
Terry McGuire representing John Chiang
George Diehr
Debbie Endsley representing David Gilb
Henry Jones
Steve Coony representing Bill Lockyer
Priya Mathur
Louis Moret
Tony Oliveira
Anne Sheehan
Kurato Shimada

Excused: Charles Valdes

AGENDA ITEM 3 – APPROVAL OF THE DECEMBER 19, 2007 MEETING MINUTES

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board approved the December Board minutes.

AGENDA ITEM 4 – ELECTION OF PRESIDENT AND VICE PRESIDENT

ON MOTION by Mr. Oliveira, **SECONDED** and **CARRIED**, the Board re-elected Rob Feckner as President of the Board of Administration.

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board elected George Diehr as Vice President of the Board of Administration.

President Feckner thanked the Board for their support.

AGENDA ITEM 5 – CHIEF INVESTMENT OFFICER REPORT

Russell Read, Chief Investment Officer presented this report to the Board.

Weakness in the subprime mortgage market has extended its reach into other credit sectors, including the credit enhancement market and the auction rate market. Continuing stress among financial

services companies has led to a broad decline in stocks worldwide. For context, the Dow has surrendered approximately a thousand points, or 7 percent, dropping from levels around 13-and-a-half thousand to 12-and-a-half thousand today.

Overall, the PERF has declined by \$9.2 billion or 3.7 percent since our December meeting and as of last Friday, February 15, stands at \$242.4 billion. Fiscal year to date, since June 30 of last year, the PERF has declined by 1.7 percent.

AGENDA ITEM 6 – INVESTMENT COMMITTEE

George Diehr, Vice Chair, Investment Committee, presented the Committee Summary report (attached) to the Board. The Committee met on Tuesday, February 19, 2008.

Additional information may be found in the February 19, 2008 Agenda Materials and/or transcripts of the Committee meeting.

The next Investment Committee meeting is scheduled for March 17, 2008 in Sacramento, California.

AGENDA ITEM 7 – BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

Kurato Shimada, Chair, Benefits and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Wednesday, February 20, 2008.

Additional information may be found in the February 20, 2008 Agenda Materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following:

- Sponsor legislation to allow CalPERS to enter into an agreement with the contracting agencies to terminate inactive member groups and merge the inactive group plan into the terminated agency pool.
- 2007 Cost-of-Living report, submitted by Chief Actuary Ron Seeling, to be filed with the Governor and Legislature.
- Annual investment return used in the actuarial valuations remains unchanged at 7.75 percent.
- No change to the current rate smoothing methods adopted by the Board in 2005 and that this issue be revisited a year from now.

The next Benefits and Program Administration Committee meeting is scheduled for March 18, 2008 in Sacramento, California.

AGENDA ITEM 8 – HEALTH BENEFITS COMMITTEE

George Diehr, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, February 20, 2008.

Additional information may be found in the February 20, 2008 Agenda Materials and/or transcripts of the Committee meeting.

The next Health Committee meeting is scheduled for March 18, 2008 in Sacramento, California.

AGENDA ITEM 9 – FINANCE COMMITTEE

Tony Oliveira, Acting Chair, Finance Committee, presented the Committee Summary report to the Board. The Committee met on Wednesday, February 20, 2008.

Additional information may be found in the February 20, 2008. Agenda Materials and/or transcripts of the Committee meeting.

On Motions by the Committee the Board approved the following:

- Final update of the CalPERS 2006-2009 three-year business plan and transmittal to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, State Controller, and Department of Finance, in accordance with the Budget Act of 2007, and the Legislative Analyst Office, and State and Consumers Services Agency.
- First reading of the CalPERS 2008 through 2011 three-year business plan.

The next Finance Committee meeting is scheduled for March 18, 2008 in Sacramento, California.

AGENDA ITEM 10 – PERFORMANCE AND COMPENSATION COMMITTEE

Priya Mathur, Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday February 19, 2008.

Additional information may be found in the February 19, 2008 Agenda Materials and/or transcripts of the Committee meeting.

On Motions by the Committee the Board approved the following:

- Second quarter status reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and his direct reporting staff.
- Changes in the Performance Plans of the Senior Investment Officers of Alternative Investments, Fixed Income and Real Estate.
- Second reading of the 07-08 Performance Plans for the recently appointed investment managers.
- Final of the 07-08 Performance Plans for the recently appointed investment managers.
- First reading of the 07-08 Performance Plan for the General Counsel.

The next Performance and Compensation Committee meeting is scheduled for March 17, 2008 in Sacramento, California.

AGENDA ITEM 11 – AD HOC BOARD ELECTIONS COMMITTEE

Kurato Shimada, Chair, Ad Hoc Board Elections Committee, presented the Committee Summary report to the Board. The Committee met on Wednesday, February 20, 2008.

Additional information may be found in the February 20, 2008 Agenda Materials and/or transcripts of the Committee meeting.

On Motion by the Committee the Board approved the following:

- Discharging the Ad Hoc Board Election Committee.

AGENDA ITEM 12– BOARD MEETING CALENDAR

Fred Buenrostro noted the only change to the calendar is the addition of the Women's Investment Workshop on May 15, held at the Radisson Hotel in Sacramento, California.

AGENDA ITEM 13– CHIEF EXECUTIVE OFFICER'S REPORT

Fred Buenrostro reported on United Way and the thank you luncheon which took place February 20 where CalPERS was acknowledged, noting that CalPERS raised \$480,000. He also noted that CalPERS received the Red Shoe Award for outstanding achievement with an increase of greater than 20 percent in contributions. Several of CalPERS staff received the Platinum award for support of \$100 or more per capita.

AGENDA ITEM 14 – BOARD'S STATE LEGISLATIVE PROGRAM/BOARD'S POSITION ON STATE LEGISLATION

Wendy Notsinneh, Chief Governmental Affairs gave the following report:

The Legislative Office released an assessment of the Governor's proposed budget and indicated that slower growth will reduce revenues by an additional 1.5 billion from the Governor's previous estimate, increasing the estimated State budget deficit to approximately 16 billion.

In order to close the gap, the Governor has proposed a 10 percent cut across the board to most programs. He is also urging the Legislature to pass this year's budget bill by the end of March, a full three months earlier than statutorily required.

AGENDA ITEM 15 – BOARD'S FEDERAL LEGISLATIVE PROGRAM/BOARD'S POSITION ON FEDERAL LEGISLATION

Tom Lussier, CalPERS Federal Legislative Liaison reported on the following items:

- Pension Protection Act
- Federal budget including the need for biogeneric drugs
- Health IT

AGENDA ITEM 16 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

At the request of staff, and approved by the Board, Agenda Item 16I is postponed until the March 2008 Board of Administration meeting.

ON MOTION by Ms. Endsley, **SECONDED** and **CARRIED**, the Board adopted staff recommendation on items B, D, E, F, G, and H.

ON MOTION by Ms. Sheehan, **SECONDED** and **CARRIED**, the Board adopted staff recommendation on items A, C, and J. Ms. Berte abstained.

AGENDA ITEM 17 – PETITION FOR RECONSIDERATION

ON MOTION by Mr. Diehr, **SECONDED** and **CARRIED**, the Board adopted staff recommendation on 17A.

ON MOTION by Mr. Diehr, **SECONDED** and **CARRIED**, item 17B be remanded for the taking of additional evidence.

AGENDA ITEM 19 – GENERAL COUNSEL’S REPORT

Peter Mixon reported no new cases. The matrix was before the Board for consideration.

AGENDA ITEM 21 – BOARD TRAVEL APPROVALS

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board approved the travel requests.

AGENDA ITEM 22 – DRAFT AGENDA

The draft agenda was accepted.

AGENDA ITEM 23 – NEW BUSINESS AGENDA SETTING

No comments.

AGENDA ITEM 24 – PUBLIC COMMENT

No comments.

President Feckner raised a point of personal privilege and acknowledged Maeley Tom for her long standing contribution and membership to the Board of Administration, and presented Ms. Tom with a CalPERS Board Resolution and CalPERS “basket”.

Maeley Tom thanked her fellow Board Members and CalPERS staff.

AGENDA ITEM 18 – FULL BOARD HEARING – City of Salinas

ON MOTION by Mr. Diehr, **SECONDED** and **CARRIED**, the Board adopted Alternative A.

AGENDA ITEM 20 – CLOSED SESSION

11:43 am – Recessed to Closed Session

11:58 am – Adjourned Closed Session

There being nothing further to come before the Board of Administration, the meeting adjourned at 11:59 a.m.